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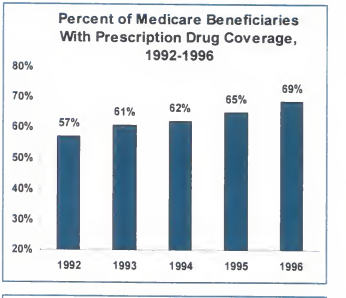
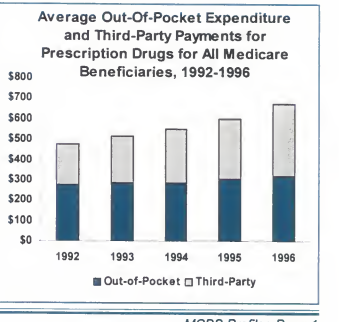
Prescription Drug Coverage for Medicare Beneficiaries

Prescription drug coverage for Medicare beneficiaries has recently been making headlines. Congress is actively debating several versions of a drug benefit. The MCBS has been one of the few sources available for looking at prescription drug coverage, utilization, and expenditures for the Medicare population. In this issue of MCBS Profiles we report prescription drug highlights from the MCBS for 1992-1996. Information on 1997 will be included in a future MCBS Profiles when the data become available.

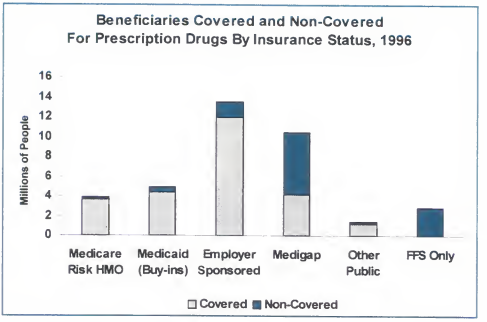
Nearly 70 percent of Medicare beneficiaries had prescription drug coverage at some point in 1996. That number is up from about 57 percent of beneficiaries reporting coverage in 1992 (when the MCBS began collecting drug data). While coverage rates seem to be improving, 11.6 million beneficiaries were without prescription drug coverage, and the 23.3 million with coverage may not have been covered for the entire year.



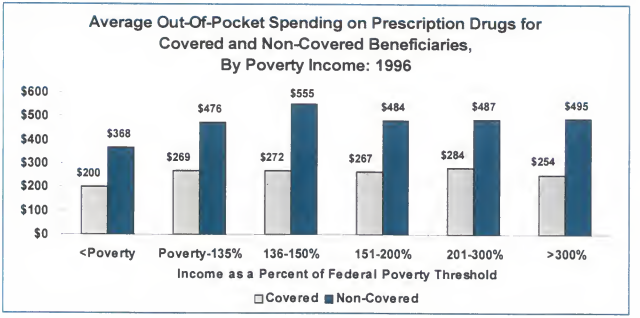
Spending on prescription drugs for Medicare beneficiaries has increased an average of nine percent annually since 1992. In 1996, the average expenditure for prescription drugs was $674, with 53 percent of that amount covered by a third party. Third party payments have become a larger percent of total drug expenditures due to the increase in drug coverage levels and the fact that co-payments and deductibles have not risen as rapidly as total expenditures.



Eighty-nine percent of beneficiaries with employer-sponsored supplemental plans, or 12 million people, have drug coverage. Coverage rates are also high for Medicaid beneficiaries (90 percent, or 4.4 million with coverage) and Medicare risk HMO's (95 percent, or 3.7 million with coverage).

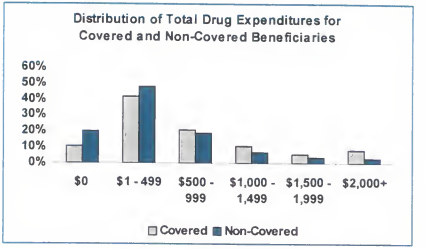


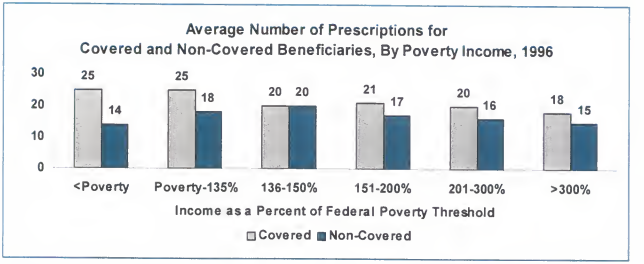
While 4.2 million people with Medigap supplemental insurance have drug coverage, this comprises only 40 percent of that population.



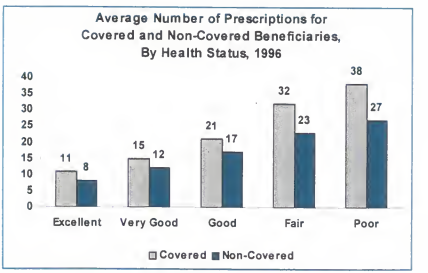
Beneficiaries with drug coverage pay significantly less out-of-pocket than those without coverage. Regardless of income, the highest amount paid out-of-pocket by an insured beneficiary is still less than the lowest out-of-pocket payment for uninsured beneficiaries.

While average out-of-pocket expenses for the uninsured are higher, a larger percent of the uninsured have no drug spending at all. Twenty percent of beneficiaries without drug coverage spent no money on drugs in 1996. Fifty percent of the non-covered spent less than $250 on drugs and 70 percent spent less than $500. Only 11 percent of beneficiaries with drug coverage spent no money on drugs in 1996 and only 37 percent had expenditures of less than $250. As drug expenditures increase, beneficiaries are much more likely to have coverage. Only one percent of beneficiaries with drug expenditures in excess of $2,000 are without drug coverage.





Beneficiaries without drug coverage had significantly fewer prescriptions than those with coverage. The lower number of prescriptions for the non-covered was constant regardless of health status, chronic conditions, or income.



This issue of MCBS Profiles by: Lauren Murray and John Poisal.

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